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NOTE ON  
TWELFTH ANNUAL MEETING  
BOARD OF GOVERNORS  
CARIBBEAN DEVELOPMENT BANK (CDB)

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NOTE ON TWELFTH ANNUAL MEETING  
BOARD OF GOVERNORS  
CARIBBEAN DEVELOPMENT BANK (CDB)  
(St. Lucia 12-13 May 1982)

The twelfth meeting was marked by the admission of Mexico and Anguilla to membership in CDB.<sup>1/</sup> For Mexico it was one further step towards the close participation in the Caribbean integration process that commenced with conclusion of the CARICOM/Mexico Agreement in 1976. For Anguilla it was a renewal of membership that was interrupted by change of constitutional status.<sup>2/</sup>

Main Orientations

A further feature that distinguished this meeting from previous ones, was the strong emphasis on simplifying and rationalising mechanisms for technical assistance and aid, and ensuring that they served to strengthen the integration and co-operation processes in the Caribbean. Since the eighth meeting of the Board of Governors there has been grave concern that the CDB has had to administer many special funds to accord with the procedures of individual donors. There are now twenty different special funds each with its own procedural characteristics.

Two further areas for simplification were highlighted. The first was that recipient countries find the procedures inhibiting, and considered there was the need for revisions tailored to the circumstances and special needs of the Caribbean. In the main opening statement the point was made that "... Caribbean countries should, where the circumstances warrant, publicly reject any aid, the procedures of obtaining which are too costly in time and scarce personnel resources". The primary concern was the extent to which the

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<sup>1/</sup> There are now three continental Latin American members of CDB - Colombia, Mexico, Venezuela.

<sup>2/</sup> Formerly participated as part of the unitary state of St. Kitts-Nevis-Anguilla.

procedures for obtaining aid constitutes a costly burden on the public services of the recipient countries.

The second was that new agencies were "being spawned in profusion" too great for the Caribbean countries to keep pace with their activity. The observation was made that as one agency activity fails it promptly re-appears under a new name and under a new guise more often than not with the same personnel, adding to the Administrative burdens and frustrations, with "... harassed officials spending much of their time either at airports or at conferences which drain away our scarce resources of money and manpower but contribute little to the solution of our many problems".

In short, there should be a rationalization and simplification of mechanisms and procedures relating to assistance and aid administration and disbursements; and in addition a rationalization and reduction of the myriad agencies involved in giving aid. The solution sought was to make better use of the Caribbean bodies with their vast experience in working with Caribbean governments and among Caribbean peoples.

The feature address of the President, CDB, added the further policy orientation that the strategy for development of the Caribbean countries cannot just be in terms of pursuing some fashionable point of emphasis. What is needed is a set of comprehensive national and regional strategies combining in the right proportions "inward-looking" and "outward-looking" elements, and "trickle-down" and "basic needs" elements.<sup>3/</sup> That is, a coherent and comprehensive development strategy which is not lop-sided; but is instead well-balanced, internally consistent, designed to achieve at the same time economic growth, diversification of the

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<sup>3/</sup> "Inward-looking" refers to import substitution and protective apparatus for internal growth of the economy.

"Outward-looking" refers to dependence on foreign capital, technology, management and production for export.

"Trickle-down" refers to large-scale capital intensive modern sector operations that might generate employment and provide stimulation of local demand.

"Basic needs" refers to direct policies and actions for improving human resources and ensuring that the domestic pattern of production matches closely the composition of demand of the poor and small-scale producers.

economic structure, and desirable levels of productive employment. These, he stated, are the considerations that inform the formulation of the five-year lending programmes of the CDB.

#### Operational Aspects

The Governors approved the audited Financial Statements in respect of the Ordinary Capital Resources, Special Funds Resources, and the Venezuelan Trust Fund. They also decided that all the net income of the CDB from its Ordinary Operations in 1981 (US\$3,270,000) be allocated to the Ordinary Reserve. Also, that the net income from Special Operations in respect of the Canadian contribution in the Agricultural Fund, operations funded by USAID resources, and the Nigerian loan (respectively US\$992,000, US\$356,000 and US\$495,000) be allocated to the Reserves for those Funds. In addition the decision was taken to utilize funds from the Ordinary Reserve to meet the cost of construction of additional accommodation.<sup>4/</sup>

It should be noted that during 1981 net loan approvals was US\$48.0 million (as against US\$34.5 million in 1980); loan disbursements were US\$55.1 million (as against US\$55.6 million in 1980); cumulative financing approvals passed the US\$350 million mark to reach US\$360.1 million; loan disbursement to approval ratio rose to 65.2 percent from 61.3 percent in 1980; CDB recorded its highest ever net income of US\$3.7 million, an increase of 54 percent over the 1980 figure of US\$2.4 million.

#### Policy Review

Concerning the quantum and quality of inflow of resources to CDB, the Governors in their statements supported the principles of (a) widening the membership of the CDB thereby increasing its borrowing capacity, with the proviso that policy and identity remain in the hands of the Caribbean governments; and (b) unification of the numerous special funds being administered by CDB with a common set of rules and procedures, which would offer advantages of moderating exchange

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<sup>4/</sup> The staff of the CDB is presently dispersed over three sites.

risks for borrowers and reducing administrative expenses. The view was also stated that where funds are offered on complex terms, CDB should reject publicly.

Generally, the Governors felt CDB must have a central role in financial resources inflows to the region, and to be one of the main channels for mobilising external resources. They stressed that even where bilateral aid is given, it should be supportive of CDB activities; and that the orientation should be to reduce the number of agencies serving the region and to channel funds through CDB, rather than directly. In this regard, some Governors made specific remarks about the "Caribbean Basin Initiative" (CBI), and emphasised that use should be made of the CDB. They also stressed in the CBI arrangements there be no automatic exclusion of any country, no political preconditions or conditionality, no military components, and that it should provide additionality of funds with the beneficiaries deciding and setting the priorities. In this context, the consensus was that CARICOM countries should consolidate their views regarding aid, in the interests of preserving the integrity of the Caribbean integration movement.

With regard to CDB operations, it is observed that sound development banking principles require project lending to have some conditionality: in terms of management control; cost budgeting for public utilities (so that they charge an economic fee and not become a drain on central government budget); and keeping down arrears in the technical sense of time shippage. The Governors also considered that the CDB should set up machinery for project evaluation. Further they made the point that CDB capital should not be used to secure loans from other institutions; but instead, that callable capital should be used for securing borrowing from commercial markets.

Concerning additional activities, there was some support for the view that CDB should be active in the area of fostering of a regional capital market. The proposal was also put forward that, within the framework of making CDB more flexible, there should be (a) some re-financing facilities; (b) some mechanism for commodity support to key industries (e.g. the threatened banana industry in the Windward Islands); (c) establishment of a stabilization Fund to tide over difficult periods and help those cases where there are

diversification programmes; (d) more involvement in social projects and greater attention to basic human needs.

The President of CDB in his closing statement responded to these comments on policy, outlining the related actions already initiated in the various policy areas, and the extent to which the bank with its available resources could embark on such further activities.

The next annual meeting of the Board of Governors is to be convened at Cartagena, Colombia.

